# NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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## WITH KYOTO PROTOCOL SET TO TAKE EFFECT WEDNESDAY, FORMER VICE PRESIDENT GORE, CALIFORNIA TREASURER ANGELIDES LAUD CALPERS' APPROVAL OF NEW CORPORATE ENVIRONMENTAL ACCOUNTABILITY INITIATIVE TO ENCOURAGE COMPANIES TO ADDRESS GLOBAL WARMING

*CalPERS Approves Final Piece of Angelides'*
*'Green Wave' Environmental Investment Initiative to Reduce Fund's Risk by Improving Corporate Environmental Practices*

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) –the nation's largest public pension fund – today voted to launch a new corporate environmental governance program, approving the implementation of the fourth and final component of California Treasurer Phil Angelides' landmark *Green Wave* environmental investment initiative. The *Green Wave* initiative is designed to bolster financial returns, create jobs and clean up the environment.

CalPERS will take a series of actions to reduce environmental risks to its portfolio; to encourage companies in which the fund invests to address increasing concerns about the financial impacts of global warming; and push for meaningful, consistent and robust reporting of corporate environmental practices, risks and liabilities.

"Because the Bush administration refused to join the rest of the world in ratifying the Kyoto protocol, it is all the more important that environmental leaders such as California Treasurer Angelides are fighting global warming with innovative ideas such as his Green Wave initiative," said former Vice President Al Gore.

Angelides said CalPERS' actions will not only reduce risks posed to the fund's portfolio from environmental liabilities among the corporations whose shares it owns, but will also send a strong signal to companies about the added, long-term value of responsible, forward-looking environmental practices.

"Companies that act in an environmentally responsible manner do not just clear the air, land and water of pollutants, but also improve their bottom line for shareholders," the Treasurer said. "It is clear that risks such as global warming not only threaten the environment but also pollute shareholder value. As investors, we have a right to know whether companies are adopting environmental practices that will enable them to survive in a world of increasing environmental concern and regulation, or whether those companies are taking the path of denial, risk, liability and loss."

The action by CalPERS comes as the Kyoto protocol is set to take effect around the world on Wednesday. Although the United States has yet to ratify the protocol, CalPERS' $183 billion portfolio contains significant investments in U.S. multinational companies and in foreign companies in international markets. The CalPERS action comes amidst a spate of recent reports that underscore the financial risks of global warming and other environmental issues. For example, Swiss Re, the world's largest life and health reinsurer, has estimated that the annual economic cost of natural disasters, aggravated by climate changes, could reach over $150 billion in the next ten years, leading to $30 to $40 billion a year more in insurance claims. (See attached fact sheet on corporate environmental accountability and disclosure.)

Today, CalPERS agreed to take the following four steps to improve environmental governance:

1) **CalPERS will sign on to the Carbon Disclosure Project**. The European-based effort is aimed at improving environmental data transparency and disclosure. Each year, the Project – representing more than $10 trillion in assets – asks Financial Times 500 companies for data concerning carbon emissions.

2) **CalPERS will call for greater greenhouse gas emissions transparency within the auto industry.** As a shareholder, CalPERS will call on the auto industry to provide greater auto emissions transparency, including information on their approach to meeting competitive market demands for more fuel-efficient vehicles and emissions regulations. CalPERS' effort, among other things, will include support of shareholder resolutions at Ford and General Motors.

3) **CalPERS will work to improve data transparency in the electric power/utilities industry.** With research showing that the electric power/utilities industry is responsible for one-third of global greenhouse gas emissions, greater transparency and disclosure is needed for investors to assess the risks they face from investments in these companies. CalPERS will explore the viability and development of a greenhouse gas "reporting project" to focus on improving adequate, accurate and timely data transparency within the electric power/utilities industry.

4) **CalPERS will recognize "best practices" in corporate environmental disclosure.** CalPERS will compile data on corporate environmental disclosure and recognize industry leaders, encouraging other companies to meet these high standards.

"CalPERS rightfully recognizes that corporate governance is the bedrock for tackling enormous environmental challenges such as global warming," said Mindy S. Lubber, president of Ceres, a national investor coalition working on the climate change issue. "A growing number of investors are worried about the financial risks from global warming and measuring those risks is only possible if there is a common currency for companies to measure and disclose their emissions. Treasurer Angelides understands this and deserves kudos for proposing a strategy to improve this disclosure so investors can make the right decisions."

With today's action, CalPERS has now adopted each of the four key planks of the *Green Wave* initiative Treasurer Angelides proposed in January 2004. In March 2004, the CalPERS Investment Committee voted unanimously to make an initial investment of up to $200 million over the next few years in the clean environmental technology sector. In April 2004, CalPERS committed to invest up to $500 million in the stocks of environmentally responsible companies, and in December 2004, the fund adopted a 20 percent energy reduction goal for its multi-billion dollar core real estate portfolio. The California State Teachers' Retirement System (CalSTRS) – the nation's third largest pension fund – has also already adopted components of the Treasurer's *Green Wave* initiative proposals, including a $250 million initial investment in environmental technologies and renewable energy, and a 20 percent energy reduction goal for its real estate holdings.

"The *Green Wave* initiative shows what we can accomplish when we marry the jet stream of public investment and public purpose," said Treasurer Angelides. "As CalPERS, the nation's largest pension fund, puts its weight behind this initiative, companies will listen and respond with better environmental practices and shareholders will reap the benefits of added long-term profits."

Please visit the Treasurer's web site, at www.treasurer.ca.gov, for additional information on the Treasurer's *Green Wave* environmental investment initiative.

## Fact Sheet on Corporate Environmental Accountability and Disclosure

- **Among the 20 biggest corporate emitters of greenhouse gases, 17 report that they have conducted a board-level review of climate change**, according to a study by CERES. (Source: Douglas G. Cogan, "Corporate Governance and Climate Change: Making the Connection," Investor Responsibility Research Center (June 2003).)

- **Weather damage, pollution, and industrial and agricultural losses related to global warming could cost $300 billion annually by 2050**, according to estimates by the German insurance company Munich Re. (Source: Gerhard Berz, Munich Re Geoscience Research Group, "Insuring Against Catastrophe," *Our Planet,* United Nations Environmental Programme (February 2001), as cited in Amy Cortese, "As the Earth Warms, Will Companies Pay?" *New York Times* (August 18, 2002).)

- **The water industry alone could face nearly $47 billion in additional costs within the next 50 years due to climate change**, according to the head of the Geoscience Research Group at Munich Re, one of the world's largest re-insurers. (Source: Gerhard Berz, Munich Re Geoscience Research Group, "Insuring Against Catastrophe," *Our Planet* (United Nations Environmental Programme) (February 2001).)

- **In 2001, the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) issued an international standard that enables businesses to uniformly report their emissions of greenhouse gases.** The standard, called the Greenhouse Gas Protocol Initiative or "GHG Protocol," was developed over a three-year period by a partnership of over 350 individuals from corporations, non-profit organizations, and governments. Companies that use or otherwise rely upon the GHG Protocol to measure and report their emissions include Ford Motor Company, Eastman Kodak, IBM, General Electric, Lockheed Martin Corporation, U.S. Steel Corporation, and Verizon Communications. (Source: For a complete list of Protocol users, see http://www.ghgprotocol.org/standard/users.htm.)

- **Concentrated risk argues for the need for better investor intelligence and information,** illustrated by the fact that a small number of companies appear to face the greatest potential regulation and litigation. Only 20 petroleum and coal companies produce products that generate nearly half of the world's carbon emissions; 13 companies manufacture approximately 90 percent of the vehicles driven in the U.S.; 100 power generators are responsible for an estimated 88 percent of the greenhouse gas emissions produced by the generation of electricity in the U.S. (Source: Diane Wittenberg, California Climate Action Registry.)

- **Nearly three-quarters of companies that were fined more than $100,000 for environmental violations failed to report such damages in their annual filings**, according to a 1998 EPA study. (Source: U.S. Environmental Protection Agency, "Guidance on Distributing the Notice of SEC Registrants' Duty to Disclose

Environmental Legal Proceedings in EPA Enforcement Actions" (1998), as cited in Susannah Blake Goodman, Jonas Kron, Tim Little, *The Environmental Fiduciary: The Case for Incorporating Environmental Factors into Investment Management Policies*, The Rose Foundation for Communities and the Environment (2002).)

- **As much as 15 percent of the total market capitalization of major companies may be put at risk by climate change**, according to Innovest Strategic Value Advisors, an investment research and advisory firm specializing in analyses of corporate performance on environmental, social, and strategic governance issues. (Source: Innovest Strategic Value Advisors, *Carbon Finance Benchmarking of the U.S. Electric Utilities Industry* (June 2001), as cited in Amy Cortese, "As the Earth Warms, Will Companies Pay?" *New York Times* (August 18, 2002).)

- **Shareholders in leading oil and gas companies could lose as much as 5 to 7 percent of the value of their investments because of regulatory and other efforts to respond to climate change,** according to the World Resources Institute. (Source: World Resources Institute, *Changing Oil: Emerging environmental risks and shareholder value in the oil and gas industry* (July 2002).)

- **The discounted present value of potential carbon liabilities – economic risks that a company faces relative to its sector due to carbon emissions – within a single emissions-intensive manufacturing firm could represent as much as 40 percent of its entire market capitalization** under certain plausible high-risk scenarios, according to the Carbon Disclosure Project, an international consortium of institutional investors representing $4.5 trillion in assets. (Source: Carbon Disclosure Project, "Carbon Finance and the Global Equity Markets," (2003).)

- **Greenhouse gas emitters could face heightened litigation costs**, similar to tobacco, asbestos, mold, and manufacturers of products or processes that lead to environmental and public health harms, as awareness of the magnitude of climate change emerges. (Source: Vanessa Houlder, "Climate Change Could be Next Legal Battlefield," *Financial Times* (July 14, 2003).)